

AMENDED IN SENATE APRIL 12, 2005

**SENATE BILL**

**No. 1060**

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**Introduced by Senator Campbell**

February 22, 2005

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An act to add Section 99.51 to the Revenue and Taxation Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1060, as amended, Campbell. Local government finance: exchanging local sales and use tax allocations and ad valorem property tax allocations.

The California Constitution prohibits the Legislature from restricting the authority of a city, county, or city and county to impose a tax rate under, or change the method of distributing revenues derived under, the Bradley–Burns Uniform Local Sales and Use Tax Law, except in specified circumstances. One exception to this prohibition allows the Legislature to authorize 2 or more specifically identified local agencies within a county, with the approval of the governing body of each of those agencies, to enter into a contract to exchange allocations of ad valorem property tax revenues for revenues derived from a tax rate imposed under the Bradley–Burns Uniform Local Sales and Use Tax Law.

~~This bill would state the intent of the Legislature to enact the necessary statutory changes to~~ authorize local agencies, *as defined*, within a county to contract to exchange allocations of local sales and use tax revenues for allocations of ad valorem property tax revenues. *This bill would also require that any such contract be approved by the governing body of each local agency that is a party to the contract, as specified.*

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     *SECTION 1. The Legislature finds and declares all of the*  
2     *following:*
- 3     *(a) In 2004, California voters enacted Proposition 1A, an*  
4     *historic agreement to prevent the state Legislature from taking*  
5     *and using local government funds. The agreement keeps local tax*  
6     *dollars local and protects funding for vital local services like fire*  
7     *and paramedic response, law enforcement, healthcare, parks,*  
8     *libraries, and transportation.*
- 9     *(b) Proposition 1A also recognized the need to empower local*  
10    *governments with the ability to enter into contracts to exchange*  
11    *property tax revenues for sales tax revenues, which will allow*  
12    *them to achieve an optimal mix of revenues and better enabling*  
13    *them to provide services and make land-use decisions.*
- 14    *(c) Increasing the share of property tax revenues of local*  
15    *agencies will promote incentives for the long-term development*  
16    *of healthy communities by allowing them to make land-use*  
17    *decisions, such as residential and industrial development, based*  
18    *on what is needed for their communities.*
- 19    *SEC. 2. Section 99.51 is added to the Revenue and Taxation*  
20    *Code, to read:*
- 21    *99.51. (1) Two or more local agencies within a county,*  
22    *including a county, may enter into a contract to exchange*  
23    *allocations of ad valorem property tax revenues for revenues*  
24    *derived from a tax rate imposed under the Bradley-Burns*  
25    *Uniform Local Sales and Use Tax Law, set forth in Part 1.5*  
26    *(commencing with Section 7200) of Division 2.*
- 27    *(2) A contract described in subparagraph (A) shall not*  
28    *become operative until it is approved by a majority vote of the*  
29    *entire membership of the governing body of each local agency*  
30    *that is a party to the contract.*
- 31    *(b) For purposes of this section, "local agency" has the same*  
32    *meaning as specified in subdivision (a) of Section 95.*
- 33    *SEC. 3. This act is enacted pursuant to the authority granted*  
34    *to the Legislature in subparagraph (C) of paragraph (2) of*

1 *subdivision (a) of Section 25.5 of Article XIII of the California*  
2 *Constitution.*

3 ~~SECTION 1. The people of the State of California find and~~  
4 ~~declare all of the following:~~

5 ~~(a) People have the most power to control government at the~~  
6 ~~local level.~~

7 ~~(b) Local government is far more efficient and responsible~~  
8 ~~than state government in the use of tax revenues.~~

9 ~~(c) Police protection, fire protection, local community~~  
10 ~~services, and schools must have an adequate, reliable, and~~  
11 ~~guaranteed source of funding.~~

12 ~~(d) Historically, property tax revenues were used to pay for~~  
13 ~~local community services. These tax revenues have been largely~~  
14 ~~taken by the state government, leaving local governments with a~~  
15 ~~very small share of property tax revenue.~~

16 ~~(e) Allowing local communities to keep more property tax~~  
17 ~~revenues will safeguard funds for police and fire protection and~~  
18 ~~other vital services.~~

19 ~~(f) Allowing local government to make property tax revenues~~  
20 ~~the principal source of revenue will require new residents in a~~  
21 ~~community to pay their fair share of police, fire, parks, health~~  
22 ~~care, and other municipal services by contributing their property~~  
23 ~~taxes to the city and county where they live.~~

24 ~~(g) The people of California have recently enacted historic~~  
25 ~~constitutional protections for local government revenues. These~~  
26 ~~reforms will put an end to raids on local funds by the state and~~  
27 ~~give local governments better control over their own finances;~~  
28 ~~including permitting local agencies to exchange allocations of~~  
29 ~~local sales and use tax revenues for allocations of ad valorem~~  
30 ~~property tax revenues.~~

31 ~~(h) It is the intent of the Legislature to enact the necessary~~  
32 ~~statutory changes to implement subparagraph (C) of paragraph~~  
33 ~~(2) of subdivision (a) of Section 25.5 of Article XIII of the~~  
34 ~~California Constitution, to authorize local agencies within a~~  
35 ~~county to contract to exchange allocations of local sales and use~~  
36 ~~tax revenues for allocations of ad valorem property tax revenues.~~